Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20054

In the Matter of	)	
	)	
Local Exchange Carriers' Rates,	)	
Terms, and Conditions for	)	
Expanded Interconnection Through	)	CC Docket No. 94-97
Virtual Collocation for	)	Phase I
Special Access and	)	
Switched Transport	)	

REPLY

BELLSOUTH TELECOMMUNICATIONS, INC.

M. Robert Sutherland
Richard M. Sbaratta
Helen A. Shockey

Its Attorneys

4300 Southern Bell Center
675 West Peachtree Street, N. E.
Atlanta, Georgia 30375
(404) 614-4904

Date: April 11, 1995

TABLE OF CONTENTS

SUMMARY

In its Direct Case BellSouth showed that the Commission adopted an invalid standard of review by assuming comparability between VEIS and Bellsouth's end-to-end switched transport and special access services. The oppositions to BellSouth's Direct Case do nothing more than repeat the basic fallacy of the Commission's analysis.

Despite their cries for uniformity, no opponent can contradict the fact that the Commission has never required uniformity of overhead loadings for LEC services. Any comparison of overhead factors between VEIS and switched transport/special access must take into account the entire range of overheads applied to rate elements of competitive LEC services. Similarly, uniformity is unnecessary to the avoidance of "price squeeze".

No opponent has identified any substantive deficiency in BellSouth's data submission. For instance, MCI complains that BellSouth violated a Bureau requirement to employ a cost of money rate of 11.25 %. No such cost of money requirement exists. The Commission prescribed a rate of return for VEIS not to exceed 11.25%. Rate of return is not synonymous with cost of money.

Moreover, the fact that an ACF computed from TRP data differs from the ACF reported in BellSouth's Direct Case is without significance. ACFs identified in the Direct Case

are for individual investments, while TRP data addresses the combined investment accounts for a specific rate element.

TWComm's claim that BellSouth effects double recovery of land and building costs as direct investments and ACFs is also incorrect.

Finally, TWComm misunderstands BellSouth's methodology used to allocate central office related investment to DS1 and DS3 services. As BellSouth demonstrates, there has been no misallocation of such investment with respect to DS3 services.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection Through Virtual Collocation for Special Access and Switched Transport	)	CC Docket No. 94-97 Phase I

REPLY

BellSouth Telecommunications, Inc. ("BellSouth") herewith replies to oppositions to BellSouth's Direct Case, which have been filed in the above-referenced proceeding.[1] Opposing parties take issue with BellSouth's claim that the Commission has misidentified "comparable" services in its overhead analysis. These parties further insist that the lowest overhead assigned to any element of a competitive LEC service represents the maximum loading factor that may equitably be applied to any element of a virtual expanded interconnection service (VEIS) arrangement. Absent such a requirement, opponents argue that BellSouth may engage in a "price squeeze" and thereby stifle emerging competition. Finally, MCI and TWComm purport to find certain inadequacies

---

[1] The following parties have filed in opposition to the Direct Cases of BellSouth and other LECs: The Association for Local Telecommunications Services ("ALTS"); Electric Lightwave, Inc. ("ELI"); Kansas City Fibernet, L.P. ("Fibernet") (SWBT only); MCI Telecommunications Corporation ("MCI"); McLeod TeleManagement, Inc. ("McLeod"); MFS Communications Company, Inc. ("MFS"); Teleport Communications Group, Inc. ("TCG"); and Time Warner Communications Holdings, Inc. ("TWComm").

in the data provided by BellSouth. All of these arguments are baseless and offer no justification for further delay in the implementation of BellSouth's tariffed rates for VEIS.

DISCUSSION

1. Comparability of Services

In its Direct Case BellSouth showed that the Commission adopted an invalid standard of review by assuming comparability between VEIS and BellSouth's end-to-end switched transport and special access services. While opposing parties contest this assertion, none can refute the fact that the cross-connect panel--the only service component common to both VEIS and BellSouth's access services--is merely a cost element (and an insignificant one at that) of both a CAP's service and BellSouth's service. Indeed, in their zeal to reinforce the Common Carrier Bureau's determination, opponents merely repeat the basic fallacy of that analysis; i.e., the comparison actually drawn is not between the tariffed offerings furnished to end users and those furnished to competitive access providers (CAPs). Rather, it is between BellSouth tariffed services and CAP transport. These are the only services under consideration in this proceeding which are susceptible to meaningful comparison.[2]

---

[2] See, e.g., TWComm, at 11. "All these services engage the same basic types of equipment in the LECs' central offices. They all require, for example, a central office entrance cable, an equipment bay containing an optical line terminating multiplexer, and a cross-connect"

2. Uniformity

No opponent can contradict BellSouth's observation that the Commission has never required uniformity of overhead loadings for LEC services and that no such uniformity exists at present. Understandably, these LEC competitors seek the most advantageous treatment for services they obtain from BellSouth. Nevertheless, any comparison of overhead factors between VEIS and switched transport/special access must take into account the entire range of overheads applied to rate elements of competitive LEC services. Using this approach, the Commission might adopt a VEIS overhead which is based upon a weighted average of the loadings applied to all BellSouth rates for competitive services. By contrast, it would be clearly arbitrary to yield to opponents' urging and mandate a VEIS factor which does not exceed the lowest overhead applied to any element of a competitive BellSouth service. The Commission's goal in this proceeding is to encourage competition. The transparent aim of Direct Case opponents is to insulate themselves from competition--an objective they hope to further through their insistence on absolute uniformity in overhead loadings.[3]

(citation omitted). In a CAP arrangement only the cross-connect is BellSouth-provided. The remaining facilities are selected and furnished by the collocator.

[3] The same reasoning applies to the demand by some parties that overhead loadings be removed from VEIS nonrecurring charges (NRCs). See, e.g., MFS, p. 22; TWComm, p. 4. As previously explained, the large number of recurring rate elements for DS1 and DS3 services renders

3. Allegation of "Price Squeeze"

Absolute uniformity of overheads is likewise unnecessary to the avoidance of "price squeeze." BellSouth has stated that the cross-connect element employed in a CAP arrangement is too small a cost component to have any significant impact on a competitor's total service provisioning costs. No Direct Case opponent has come forward with proof of a contrary result, although such evidence (if it existed) would be found in service cost data readily available to each collocator. Data presented by BellSouth, on the other hand, clearly demonstrates that switched transport/special access would continue to make a positive contribution to general revenues even if the cross-connect element were incorporated in these rate structures.[4]

---

unnecessary the use of NRCs to recover an equitable allocation of general overheads. By contrast, a limited number of rate elements is associated with VEIS. It is appropriate to allocate some overhead to all such elements, thereby enabling VEIS to make a reasonable contribution to defray general operating expenses.

[4] As shown by the following data for DS1, the cross-connect rate element (if applied) would constitute only a small percentage of total service rates:

Rate for VEIS DS1 cross-connect	Rate for DS1 Local Channel	
$7.50	$140	MTM
	$127	Plan A
	$124	Plan B
Ratio of VEIS to DS1	5.4%	MTM
	5.9%	Plan A
	6.0%	Plan B

4. Cost of Money

MCI complains that BellSouth violated a Bureau requirement to employ a cost of money rate of 11.25 percent, instead applying a rate of 13.34 percent to VEIS elements.[5] In fact, no such requirement exists. The Bureau directed that BellSouth and other LECs should target their rates to achieve a realized return of no more than 11.25 percent on the provision of VEIS. Rate of return, however, is not synonymous with cost of money; the latter being the composite cost of equity and debt of the corporation and a value which represents the expectations of shareholders and financial creditors in the market place. BellSouth must meet or exceed this market value to insure the continued availability of capital to the company. The rate of 13.34 percent is an incremental cost factor, based upon the market value of debt and equity at the time the VEIS cost study was developed. It is applied alike to VEIS and to BellSouth's DS1 and DS3 offerings, which the Commission uses to make its loadings comparison.[6]

5. Use of LightGate® 1 Surrogate

TWComm maintains that in the absence of cost data for DS3 switched transport local channel service, BellSouth should have substituted costs associated with LightGate 3

---

[5] MCI, at 15.

[6] See Direct Case, Ex. 3A, 3B, 3C.

Service rather than using LightGate 1 Service costs.[7] There is no merit to this contention. LightGate 1, which provides a single DS3 special access channel, is the service most analogous to DS3 switched transport. LightGate 3--the service favored by TWComm--is in fact an offering of 12 DS3 channels which must be purchased in its entirety as one system. As such, it is not a suitable substitute for the provision of a single DS3 switched transport local channel. In addition, the LightGate month-to-month plan is the appropriate surrogate, because DS3 switched transport local channel service does not provide the option of term offerings.

6. Administration Factor for Land and Buildings

The supposed inconsistent application of an administration factor for land and buildings, cited by TWComm,[8] is readily explainable by reference to fundamental differences between VEIS and BellSouth's switched and special access services. The administrative expenses for any service are recovered in the recurring rate elements and are calculated by applying an administration annual cost factor to the primary investments. The primary investments in DS1 and DS3 do not include land and buildings. Rather, land and buildings investment in DS1 and DS3 services is comprised of the land and buildings associated with the

---

[7] TWComm, at 8.

[8] Id. at 18.

circuit and/or central office equipment. This investment is calculated by applying a loading factor to the primary investment (e.g., circuit equipment); and it is not recovered through discreet rate elements. By contrast, land and buildings are primary investments in VEIS; these investments are recovered through individual rate elements for building floor space and land. Application of the administrative expense factor to these investments is therefore appropriate.[9]

7. Analog Electronic Equipment Cost

TWComm questions the application of an analog electronic equipment cost to VEIS.[10] Analog electronic equipment is complex equipment that takes AC power from a public utility and converts this to 48V DC power used by collocated equipment. The investment is dedicated, on a per ampere basis, to the VEIS arrangement. This differs from BellSouth's DS1 and DS3 services, where analog electronic equipment supports a variety of offerings and is dedicated to no single service. For this reason, the cost incurred for such equipment is reflected as a loading on direct investment and spread across each supported service.

---

[9] Other differences in annual cost factors between VEIS and DS1/DS3 are occasioned by differences in the time period applicable to various cost studies and by the use of state specific factors in the LightGate cost study. See Direct Case, Table 3A.

[10] TWComm, at 18.

8. Annual Cost Factors

It is alleged that BellSouth has given no adequate explanation of the manner in which annual cost factors (ACFs) are applied to investments.[11] BellSouth addressed the application of ACFs in its Direct Case filed in support of proposed rates/conditions of service applicable to the offer of physical collocation, and that response is a matter of public record.[12] Similarly, the fact that an ACF computed from TRP data differs from the ACF reported in BellSouth's Direct Case is without significance.[13] ACFs identified in the Direct Case are for individual investments, while TRP data addresses the combined investment accounts for a specific rate element.

To illustrate, total investment on line 1 of the TRP form includes all investment directly assigned to each rate element. Lines 2 through 6 of the form provide a breakdown of that investment by USOA account, e.g., 2232 - circuit equipment, 2111 - land, etc. Costs included on lines 21 and higher are the total investment related costs. These were calculated by applying the account specific annual cost factors to account specific investments and totalling the

---

[11] Id.

[12] See Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access, CC Docket No. 93-162, Direct Case, August 20, 1993. Ex. 2 identifies the factors used. Ex. 2, App. B, shows the application of ACFs to investment.

[13] TWComm, at 19.

result. Since no rate element on the TRP includes only one investment, any comparison of annual charges on the TRP to Direct Case ACFs is meaningless.

9. Land and Building Costs

TWComm's claim that BellSouth effects double recovery of land and building costs as direct investments and ACFs is incorrect.[14] Purported ACFs of 0.0014 and 0.0197 were apparently calculated by dividing a $0.36 investment for land by a $242.46 investment for circuit equipment and a $4.78 investment for buildings by a $242.46 investment for circuit equipment, respectively.[15] While the resulting ratios do show the mathematical relationship between land investment and circuit equipment investment and between buildings investment and circuit equipment investment, they reveal nothing about ACFs.

TWComm compounds its error by asserting that ACFs of 0.0014 and 0.0197 were applied to all VEIS elements including Floor Space (per square foot). In fact, Exhibit 2 of the Direct Case identifies an investment of $2.75 for land and $133.91 for buildings applicable to the Floor Space rate element. The buildings investment of $133.91 is comprised of $72.71 for floor space per assignable square foot and $61.20 for installed investment of various support

---

[14] Id.

[15] These investments are identified in the Direct Case, Ex. 2, at 3.

items; including lighting, overhead racks, bay framing, AC power outlets, and other miscellaneous items per square foot.[16] The investments of $2.75 and $72.71 are supported by accounting and property management records. The investment of $61.20 is based upon estimates of subject matter experts.[17]

10. Comparative Allocation to DS1 and DS3

TWComm alleges that BellSouth has employed inconsistent methodologies to allocate central office related investment to DS1 and DS3 services. It is claimed that a higher allocation of such investment to DS3 exaggerates the level of expense and overhead loadings beyond what is actually charged to the service.[18]

TWComm apparently misunderstands BellSouth's methodology, which was dictated by different characteristics of the DS1 and DS3 cost studies. As explained in the Direct Case:

> The DS1 Local Channel cost study includes five network designs with probabilities of occurrence of each design, both for an end user and for a

---

[16] See BellSouth Transmittal No. 223, Vol. 1-1, Ex. 1, Workpaper 2.1c, September 1, 1994.

[17] As noted by TWComm (at 19 n. 46), investments for land and buildings were erroneously interchanged on BellSouth's TRP form. A corrected page is included with this Reply. No other data on the form was affected by the error. In addition, $9.47 of investment for buildings was inadvertently omitted from the Cable Support Structure rate element on Ex. 2, p. 3, of the Direct Case. A corrected page is included with this Reply.

[18] TWComm, at 25.

> POP location. One of the designs consists of copper terminated in the central office on the main distributing frame. The other designs are various architectures for fiber with and without hub locations. Due to the complexity of the cost study, the individual central office investments, such as the 257C and 357C circuit equipment, are not available.[19]

Account 257C and 357C investments are composed of equipment inside the central office, at hub locations, remote sites and customer premises. The DS1 cost study combines all these investments for all configurations weighting the probability of occurrence of each configuration. Central office investment is not separately identified by the study; therefore, an allocation of circuit equipment is required. BellSouth adopted a 50 percent allocation between inside central office and outside central office facilities based upon an analysis of all possible configurations.

By contrast, the LightGate Service cost study separately identified central office investments. Thus, central office investment for LightGate 1 Service, single DS3, was known and did not have to be estimated for inclusion in Exhibit 4 of the Direct Case. There has been no misallocation of such investment with respect to DS3 services.

Since allocation was a reasonable method to determine central office investment in the DS1 local channel, the

---

[19] Direct Case, Ex. 1, at 2.

inconsistency purportedly illustrated by Table 3-B of the TWComm filing is without significance. Moreover, the DS1 shown in Table 3-B omits 357C and 377C investments, which account for more than half of all central office investment. Finally, if TWComm is urging the allocation of less investment to DS3, such action would in fact raise overhead ratios applicable to the service absent a reduction in price.

11. Relationship of Ancillary Costs to Direct Investment

In Table 3-C TWComm purports to show that VEIS ancillary costs are disproportionately high in relation to direct investment, in contrast to the ratio of such costs to DS1/DS3 direct investment. This is seen as further evidence of anticompetitive bias in the pricing of VEIS elements.[20]

TWComm's explanation is insufficient to determine the method by which ancillary costs for VEIS were calculated for inclusion in Table 3-C. Although these calculations cannot be replicated, it is obvious that Floor Space - per square foot and Floor Space - per ampere (i.e., central office space and power required by collocated equipment) are included by TWComm as VEIS ancillary costs. These are not ancillary costs. They are direct costs of VEIS, i.e., these costs are incurred exclusively to support a collocator's equipment. By showing them as ancillary costs, TWComm is

---

[20] TWComm, pp. 26-27.

gaming the exhibit. The direct unit investment in a VEIS arrangement is limited, consisting as it does of a cross-connect panel only. TWComm takes the most significant direct cost drivers and misclassifies them and therefore skews the VEIS result.

By contrast, BellSouth must make a substantial investment in circuit and central office equipment in order to provision its switched transport/special access services. This investment includes not merely the cross-connect panel but also the lightwave terminal, multiplexers, etc. Given the magnitude of this investment and TWComm's misclassification of VEIS direct costs as ancillary, it is not surprising that ancillary costs attributable to DS1/DS3 are proportionately lower to direct investment than is true of VEIS.

CONCLUSION

No opponent of the Direct Case has rebutted BellSouth's demonstration of the fallacies inherent in the Bureau's analysis of overhead loadings. In addition, no opponent has identified any substantive deficiency in BellSouth's data submission. Accordingly, BellSouth renews its request for a prompt conclusion of the above-referenced investigation and an order dissolving the partial suspension of rates filed under Transmittal No. 223.

Respectfully submitted,

BELLSOUTH TELECOMMUNICATIONS, INC.

By: Helen A. Shockey

M. Robert Sutherland
Richard M. Sbaratta
Helen A. Shockey

Its Attorneys

4300 Southern Bell Center
675 West Peachtree Street, N.E.
Atlanta, Georgia 30375
(404) 614-4904

DATE: April 11, 1995

UNIT INVESTMENTS

Account Code	Field Reporting Code	Item	Description	Amount
CROSS-CONNECT PER DS1				
2232.13	357C	Circuit Equipment – Other Digital	DSX-1 cross-connect panel	$242.46
2111	20C	Land	Land associated with DS1 cross-connect equipment	$0.36
2121.9	10C	Buildings	Buildings associated with DS1 cross-connect equipment	$4.78
CROSS-CONNECT PER DS3				
2232.13	357C	Circuit Equipment – Other Digital	DSX-3 cross-connect panel	$2,028.33
2111	20C	Land	Land associated with DS3 cross-connect equipment	$3.00
2121.9	10C	Buildings	Buildings associated with DS3 cross-connect equipment	$39.98
CABLE SUPPORT STRUCTURE (PER CABLE)				
2232	357C	Circuit Equipment – Other Digital	Cable rack riser	$480.39
2111	20C	Land	Land associated with cable rack riser	$0.71
2121.9	10C	Buildings	Buildings associated with cable rack riser	$9.47
FLOOR SPACE (PER SQ. FT.)				
2111	20C	Land	Regional book gross investment for land associated with central office building floor space per assignable square foot	$2.75
2121.9	10C	Buildings	Regional book gross investment for central office building floor space per assignable square foot and investment in support items to prepare site for equipment installation, including: lighting, overhead racks, bay framing, AC power outlets and miscellaneous items, per square foot	$133.91
FLOOR SPACE (PER AMPERE)				
2211	77C	Analog Electronic Equipment	Equipment associated with analog electronic switching equipment to provide standard 48V DC power per ampere	$62.12
2212	377C	Digital Electronic Equipment	Equipment associated with digital electronic switching equipment to provide standard 48V DC power per ampere	$62.12
2111	20C	Land	Land associated with equipment listed above	$0.18
2121.9	10C	Buildings	Buildings associated with equipment listed above	$2.45

DS1 Entrance Function

Recurring Rate

		Rate Element Name #1	Rate Element Name #2	Rate Element Name #3	Rate Element Name #4
		CABLE SUPPORT STRUCTURE	FLOOR SPACE - (PER SQ. FT.)	FLOOR SPACE - (PER AMPERE)	
1	TOTAL INVESTMENT: List Plant & Equip.	$480.87	$136.86	$136.87	$
2	[illegible]	$480.87	N/A	[illegible]	$
3	Lead - 2111 - Dep. Life - Not Applicable	$0.71	$0.70	$0.70	$
4	[illegible]	$0.47	$136.81	$2.46	$
5	[illegible]	N/A	N/A	$68.13	$
6	[illegible]	N/A	N/A	$62.18	$
7	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
8	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
9	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
10	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
11	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
12	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
13	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
14	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
15	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
16	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
17	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
18	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
19	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
20	List: Name -- Pt. 32 Acct No. - Dep. Life	$	$	$	$
21	DEPRECIATION EXPENSE	$64.00	$8.47	$11.87	$
22	COST OF MONEY ($ Amount)	$36.11	$10.69	$9.91	$
23	COST OF MONEY (Percentage)	12.15%	13.89%	12.09%	%
24	FEDERAL INCOME TAX - 7230.0000	$14.97	$5.82	$3.73	$
25	STATE AND LOCAL INCOME TAX - 7230.1000	$2.83	$1.04	$0.66	$
26	OTHER TAX: List Taxes - 7240.0000	$0.00	$1.68	$1.68	$
27	List: Property Tax - 7240.1100	$0.84	$1.64	$1.68	$
28	List: Capital Stock Tax - 7240.3000	$0.00	$0.00	$0.00	$
29	List: Other Tax - 7240.9000	$0.05	$0.01	$0.01	$
30	List:	$	$	$	$
31	List:	$	$	$	$
32	List:	$	$	$	$
33	MAINTENANCE EXPENSE	$3.62	$0.80	$0.78	$
34	ADMIN and OTHER EXPENSE: List Expense	$18.09	$6.01	$4.68	$
35	Admin - XXXX - (Secondary Inv)	$0.66	$2.49	$2.50	$
36	Admin - 6116	$0.02	$0.01	$0.01	$
37	Admin - 6121	$0.07	$0.08	$0.08	$
38	Admin - 6123	$0.50	$0.14	$0.13	$
39	Admin - 6124	$1.93	$0.84	$0.80	$
40	Admin - 6532	$0.00	$0.00	$0.00	$
41	Admin - 6536	$1.18	$0.38	$0.30	$
42	Admin - 6540	$0.18	$0.04	$0.04	$
43	Admin - 6611	$0.00	$0.00	$0.00	$
44	Admin - 6612	$0.00	$0.00	$0.00	$
45	Admin - 6613	$0.00	$0.00	$0.00	$
46	Admin - 6623	$3.68	$1.02	$0.91	$
47	Admin - 6711	$0.00	$0.00	$0.00	$
48	Admin - 6712	$0.00	$0.00	$0.00	$
49	Admin - 6721	$0.85	$0.25	$0.31	$
50	Admin - 6722	$0.00	$0.00	$0.00	$
51	Admin - 6723	$0.00	$0.00	$0.00	
52	Admin - 6724	$0.82	$0.26	$0.21	
53	Admin - 6725	$0.00	$0.00	$0.00	
54	Admin - 6726	$0.00	$0.00	$0.00	
55	Admin - 6727	$0.00	$0.00	$0.00	
56	Admin - 6728	$0.00	$0.00	$0.00	
57	ANNUAL COST PER UNIT	$136.88	$32.88	$35.40	$
58	MONTHLY COST PER UNIT	$11.41	$2.74	$2.95	$
59	MONTHLY RATE PER UNIT	$16.00	$8.00	$4.00	$
60	UNIT OF MEASUREMENT	Per Cable Support Structure	Per Square Foot	Per Ampere	
61	RATIO: Rate / Direct Cost	1.38	2.28	1.62	
62	RATIO: Rate / Unit Cost	1.31	1.82	1.34	

Notes:

(1) The Entrance Function includes the costs of conduit, vault, riser, and similar space required to connect the point of interconnection of the interconnector's and the LEC's networks to the point of interconnection, i.e., to the central office terminating equipment dedicated to the interconnector.

(2) Row 60: Unit of measurement is the unit on which the rate is being assessed, e.g., cable placement per first and additional foot, cable splicing, etc.

(3) BellSouth disagrees with the calculation for Row 61. Row 61 is not the Ratio: Rate/Direct Cost because direct cost also includes Row 28 and Row 34, directly assigned property, capital stock and other taxes and directly assigned administrative expenses respectively. Row 62 is the actual Ratio: Rate/Direct Cost

CERTIFICATE OF SERVICE

I hereby certify that I have this 11th day of April, 1995, served all parties to this action with a copy of the foregoing REPLY by placing a true and correct copy of same in the United States Mail, postage prepaid, addressed to the parties listed on the attached service list.

Juanita H. Lee

Juanita H. Lee

SERVICE LIST CC DOCKET NO. 94-97 PHASE I

Andrew D. Lipman
Jonathan E. Canis
MFS Communications Company, Inc.
Swidler & Berlin, Chartered
3000 K Street, N. W., Suite 300
Washington, D. C. 20007

Robin A. Casey
Susan C. Gentz
Kansas City Fibernet, L. P.
Bickerstaff, Heath & Smiley, L.L.P.
98 San Jacinto Blvd.
Suite 1800
Austin, Texas 78701-4039

Russell M. Blau
Kathy L. Cooper
McLeod Telemangment, Inc.
Swidler & Berlin, Chartered
3000 K Street, N. W.
Suite 300
Washington, D. C. 20007

Jodie L. Donovan
Teleport Communications Group, Inc.
Senior Regulatory Counsel
1133 21st Street, N.W.
Suite 400
Washington, D. C. 20036

Brian Conboy
John L. McGrew
Melissa E. Newman
Time Warner Communications Holdings, Inc.
Willkie Farr & Gallagher
Three LaFayette Centre
1155 21st Street, N. W.
Suite 600
Washington, D. C. 20036

Richard J. Metzger
Association for Local
Telecommunications Services
Pierson & Tuttle
1200 19th Street, N. W.
Suite 607
Washington, D. C. 20036

Susan McAdams
Vice President
Electric Lightwave, Inc.
Governmental Affairs
8100 Northeast Parkway Drive
Suite 150
Vancouver, WA 98662-6461

Don Sussman
Regulatory Analyst
MCI Telecommunications Corporation
1801 Pennsylvania Avenue, N. W.
Washington, D. C. 20006

*Kathleen Wallman, Chief
Common Carrier Bureau - FCC
Room 500
1919 M Street, N.W.
Washington, D. C. 20554

*Geri Matise, Chief
Tariff Division - FCC
Room 518
1919 M Street, N. W.
Washington, D. C. 20554

* VIA HAND DELIVERY